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Briefing

Rethinking US Policy toward the Western Balkans

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Executive Summary

Euro-Atlantic policies towards the Western Balkans have reached the limits of their effectiveness, as countries throughout the region have hit a brick wall in the reform and European integration process. It is time to examine the effectiveness of the western alliance's policy approach towards the Western Balkans and adjust it to meet new realities.

The legacy of the wars of the 1990s means that for many Balkan states, the lure of EU integration is not as powerful as Brussels had envisioned. The failure of the Lisbon Treaty, combined with internal EU disagreement over regional and enlargement policy, has also sent a signal to the Western Balkans that EU enlargement is not as high a priority as Brussels wishes to project. Bosnia and Herzegovina, Croatia, Kosovo, Macedonia and Serbia are all stalled in the European accession process, and in the case of Bosnia, the hard-won progress of the past 13 years has been jeopardized amid increasing rumblings of the possibility of renewed conflict and an ethnic carve-up. The "soft power" of European accession, while necessary and desirable, has clearly reached its limits as an inducement to progress.

The Balkans represent low-hanging fruit in any foreign policy calculation: stability can be achieved without substantial new resources. Preventing renewed conflict is relatively simple, yet requires a new and coordinated approach. Euro-Atlantic policy must focus on halting the backward slide, stabilizing the region, and finding new ways to move it forward. This requires robust US engagement in support of a credible and strategically coherent EU policy to bolster EU "soft power."

There is an increasing risk that the international community's investment in the Western Balkans could unravel. The US has an interest and a special responsibility, as it has spent substantial prestige and treasure in stopping the wars, and stabilizing the region. Renewed conflict could split the EU, generate transatlantic ructions, create safe havens for terrorism and organized crime, and aggravate the Muslim world. Refugee flows would create humanitarian challenges as well.

This paper examines the challenges facing the western alliance in the Balkans, the limits of international influence under current policy, and the options available to enhance progress in the region. It offers five policy recommendations that will, if implemented, substantially alter the policy dynamic and assist the Euro-Atlantic alliance to stabilize the region and move it forward in the European accession process without substantial new resources. It also argues that little progress will occur in the region until the United States resumes its leadership role.

Recommendations:

1. The United States (US) needs to re-engage diplomatically in the region by appointing a Special Presidential Envoy to the Balkans.
2. The practice of "dual-hatting" European Union Special Representatives with functions of non-EU missions should cease, particularly in Kosovo and Bosnia-Herzegovina.
3. The US and European Union (EU) should resist the temptation to further draw down troop levels either in Kosovo or Bosnia, and the US should reinsert a flag-level officer in NATO headquarters in Sarajevo.
4. Both the EU and US should treat all countries equally, stop giving Serbia preferential treatment and refuse to lower standards, especially regarding corruption.
5. The EU and US should engage on assuring energy security to the region, by expediting the Nabucco pipeline and including a spur into the Western Balkans.

I. The Limits of “Soft Power”

US policy towards the Western Balkans since 2001 is best described as leaving the region to the European Union, with Washington supporting whatever foreign policy Brussels created. Given Europe’s difficulty forging consensus, Brussels was unable to create a coherent foreign policy towards the region, and instead used the Stabilization and Association Process (SAP) as a substitute. Today the SAP, and by default, US policy, have reached the limits of their effectiveness, and require urgent reassessment.

First articulated at the July 1999 Stability Pact Conference in Sarajevo, the SAP offered the prospect of EU membership to all countries in the Western Balkans, provided they fulfilled certain criteria. Rather than using SAP as a foundation for a common foreign policy toward the region, the EU relied on the lure of eventual EU membership to entice the Western Balkans into undertaking the difficult reform process and overcoming the legacy of the conflicts of the 1990s.

The “soft power” approach is more an article of faith than a policy, *per se*. The SAP is, of necessity, one-size-fits-all, based on the assumption that Western Balkan states are subject to the same political and social dynamics found in the new member states. The Eastern European states that joined the EU in January 2004 were, by and large, ethnically homogenous with fixed borders, and had not been at war since 1945.¹ Yet none of these assumptions holds true for the Western Balkans, and consequently, the EU’s use of “soft power” has not gained traction.

In contrast to the rest of Eastern Europe, the Western Balkans have unresolved border issues, some with neighbors and others internally, as well as serious internal ethnic frictions. All fought wars during the 1990s (often with each other), some as recently as 2001. The reality of the post-conflict, boundary-driven, ethno-nationalist politics means that most of the Yugoslav successor states are even today involved in state and nation-building processes that took place in Western Europe from the 19th Century to 1945. As a result, considerations of borders and ethnic minorities drive policy. Until these processes are finished, or until the US, EU and other allies formulate a cohesive policy that effectively counters these processes, the ability of the EU to use its “soft power” as its central pillar of foreign policy will be inadequate. It cannot, alone, provide the stability the region so desperately needs.

II. Hitting the Wall

To understand the dynamics working against EU soft power, it is worth taking a brief glance at each of the five countries that has run up against an obstacle.

A. Bosnia and Herzegovina

The Dayton Peace Accords are “war by other means”, as the country’s Bosniak, Croat and Serb politicians have continued to pursue war-time goals via the Dayton constitutional structure, with Serbs obstructing true political reform on the state level while trying to take state-level competencies for themselves. The Bosniaks have obstructed privatization and economic liberalization in the Federation – the entity they dominate – while Croats sit back and watch. When given the choice between pursuing EU-required reforms, Bosnia’s politicians – Serbs in particular -- have stated loudly and unequivocally that EU membership takes a back seat to nationalist imperatives.

Dayton Bosnia has proven itself incapable of creating functional governing structures that meet SAP standards without substantial international oversight and engineering. Absent sustained international involvement, the prospect of Bosnia’s politicians developing such structures in the short to medium-term appears remote, at best. The likelihood of Bosnia’s leaders achieving the “5+2” criteria established for

¹ The Soviet invasions of Hungary (1956) and Czechoslovakia (1968) were not full-scale conflicts.

shutting the Office of the High Representative is also uncertain. Even if they do so, they do not change the rules of the game. The mere shutdown of OHR will not halt the backward slide, as some in Washington and Brussels hope.

To further complicate matters, since 2006 Bosnia has demonstrably slid backwards. Today elements among all three sides appear to be rearming, and talk of resorting to violence or secession to achieve political goals is increasingly prevalent among political elites, something that was unthinkable in 2005. The international community is in disarray, still undecided on what “transition” from the OHR to the European Union Special Representative (EUSR) entails, and some EU member-state ambassadors have openly undermined the EUSR and OHR.

What little progress Bosnia has made since 2006, such as the Stabilization and Association Agreement, reflected the EU’s desire to create a semblance of progress by making concessions on standards. All the while, the EU’s credibility diminishes, due to its unwillingness to diagnose and grapple with the reason Bosnia does not progress on its own, and abetted by the unclear dual-hatting approach, whereby the EUSR and High Representative are the same.

B. Kosovo

Kosovo is beset with serious problems, ranging from organized crime to corruption to a dysfunctional economy and a society whose clan-structure makes it ill-suited to modern political organization. In addition, the disputed nature of Kosovo independence, along with the presence of *de facto* partition and poor relations between majority Albanians and minority Serbs, means that Kosovo’s status struggle is ongoing and overshadows all other issues.

The EU is deeply divided over the issue, with five member states – Cyprus, Greece, Romania, Slovakia and Spain – refusing to recognize independence. The inability of the EU to reach consensus on recognizing Kosovo has led to weak EU and international supervisory institutions (EULEX, ICO, UNMIK) with blurred and uncertain mandates. The EU loses even more credibility through a dysfunctional EUSR who is dual-hatted as an equally dysfunctional International Civilian Representative. International structures reflect the partition on the ground, with only token international authority over the north. Serbia’s legal challenge to Kosovo’s independence before the International Court of Justice will dissuade the five EU dissenters from recognizing it anytime soon.

Given these difficulties, Kosovo is arguably not yet ready to even begin the Stabilization and Association Process. So too, the EU is not yet ready for Kosovo to engage in the SAP, as the five dissenting EU members will certainly prevent its even initiating this process, only open to sovereign states.

C. Serbia

Belgrade had not met all the SAA criteria at the time it signed the document, and only by making concessions – once again to create the illusion of progress – was the EU able to conclude the agreement last year. Although most citizens desire EU membership, many important constituencies among the economic, political, security and opinion-making elites oppose the reforms necessary to move ahead. Many Serbs are unable to move beyond Kosovo’s disputed status and the issue of cooperation with the Hague war crimes tribunal.

The carrots available under the SAP are limited, and Serbia’s elites have not yet perceived the economic incentives as being sufficiently enticing to overcome entrenched economic interests and monopolies that oppose the reform process. EU incentives cannot alleviate the trauma of the loss of Kosovo and perceived EU support for EULEX in Kosovo, the Kosovo government and the implementation of the Ahtisaari Plan.

As a result, important elements within Serbia's elites have begun to explore other options: not only closer engagement with Russia, but also efforts to revitalize the non-aligned movement. Russian activism on the energy front, including privatizing oil refineries in Bosnia and Serbia, as well as the planned South Stream pipeline, has weakened the EU's appeal to some political elites. Although some in Brussels argue that there is no alternative to EU membership, elites in Belgrade perceive that options may exist requiring less change, sacrifice and disruption to Serbia's body politic than EU-mandated reforms.

D. Macedonia

In addition to the ever-present danger of a possible spillover of tensions from neighboring Kosovo, Macedonia is fragile internally, due to the delicate balances required by the Ohrid Agreement. Although it achieved EU candidate status in 2005, Macedonia's accession prospects have run into an insurmountable hurdle due to Greek opposition to its name. Athens obstructs NATO membership and EU accession talks. It is unlikely that Greece will change its position over the name anytime soon. As a result, there is little the EU currently can offer Macedonia by way of inducement or support.

E. Croatia

For Croatia, relations with Serbia are still very delicate. Zagreb still discriminates against its Serb minority population on refugee return and property rights. Its relations with Bosnia are also delicate, with Bosniaks and Serbs always leery of Zagreb's true intentions towards Croat-majority regions. Entrenched interests within the security structures, the post-1990 economic elites and the justice sector have slowed the pace of reform. Aside from the aftermath of the ethnic conflicts of the 1990s, Croatia faces an unusual challenge in that it has territorial disputes with one EU member (Slovenia) and a budding dispute with a second (Greece). Slovenia disputes fishing rights in the Gulf of Piran and demarcation of the land border. Greece objects to Zagreb's reference to Croatia's Macedonian ethnic minority in Croatia's EU accession documentation. Although a candidate member since 2004, both disputes have brought a halt to Croatia's progress towards European membership.

III. Measures to be taken

To move ahead, the western alliance must first recognize that current policies have long since ceased to be effective. While the EU accession process is an essential part of any Euro-Atlantic policy towards the Balkans, in and of itself it is insufficient to generate traction in key areas. The Euro-Atlantic community must refocus, assessing its strategic interests and leverage, create policy coherence and maximize the impact of existing resources and institutions.

A. A Special US Presidential Envoy

The US must soon appoint a Special Presidential Envoy to the region. There are several reasons for this. First, an envoy would focus international energies and polices, while energizing existing diplomatic assets. Second, an envoy would be able to coordinate the currently disparate policies of the western alliance and prevent conflicting signals from being sent. Euro-Atlantic unity is necessary to any successful policy. Third, many of these problems are caused by sharp disagreements among EU member countries, and an EU diplomat would therefore be unable to resolve them.

Finally, none of the current problems can be resolved bilaterally. For example, moving Croatia ahead requires shuttle diplomacy between Zagreb, Ljubljana, Athens, Brussels and the European capitals. Moving Bosnia ahead requires shuttle diplomacy between Sarajevo, Banja Luka, Belgrade, Zagreb, Brussels, Ankara, EU capitals and Moscow. And so on. Current diplomatic structures are incapable of resolving these matters.

The US repeated the phrase "In together, out together" frequently throughout the 1990s in an effort to convince the EU of Washington's commitment to Bosnia and Kosovo. But since then the US effectively

left the field to the EU. Strong US leadership remains indispensable to stabilize the region and bring cohesion to international efforts.

B. Stop Dual-Hatting the EUSR with Other International Posts

Perhaps one of the weakest links in the international chain has been the policy of dual-hatting European Union Special Representatives with non-EU international institutions: in the case of Bosnia, with the High Representative; in Kosovo, with the International Civilian Representative.² This practice is similar to the infamous Dual Key approach tried by the UN during Bosnia's war. From a management perspective this makes little sense, as it creates divided loyalties gravitation to the lowest common denominator. Such a management practice is rare in the private sector.

From a philosophical perspective, the dual-hatting brings to mind the Biblical injunction that "No man can serve two masters, for he will love the one and hate the other." Dual-hatting has proven to be a horrible flop both in Bosnia and Kosovo. It has given the US an excuse to further disengage, and given the EU an excuse to not fully establish the robust EUSR structures needed. The EU has lost substantial credibility with this practice, and international efforts have been seriously diluted. Dual-hatting should cease, even should the OHR remain open to complete "5+2."

C. Stop the Troop Draw-Downs and place a Flag Officer in Sarajevo

The international community needs to at least hold troop strength at present levels. The risks of renewed conflict in Bosnia and Kosovo are very real. Already in Bosnia the EUFOR mission has been reduced to a size that is purely symbolic, without deterrent or intervention capacity. France, Finland, Ireland and Spain have announced impending troop pull-outs of some 500 soldiers, and Switzerland wishes to withdraw its helicopters. In Kosovo, KFOR is now at a point where it cannot respond to renewed violence without substantial reinforcements (which would come in the first instance from EUFOR). Any further reduction in either Bosnia or Kosovo sends the wrong signals and sets the EU and NATO up for catastrophic failure.

The US should urge the EU to maintain current troop levels for the next five years. At the same time it should reinsert a flag-level officer in the NATO command in Sarajevo, which it failed to replace in December 2008, sending the wrong signal to Bosnia's nationalists and citizenry. Although the US lacks available ground troops, it has a surfeit of flag officers. Showing the flag would go a long way towards demonstrating renewed commitment.

D. Maintain Equal Standards and Stop Making Concessions

Both the EU and US have adopted a policy of giving Serbia preferential treatment in the accession process, making concessions in the belief that it will somehow help Serbia's politicians overcome domestic outrage over Kosovo independence. To date, this practice has had a detrimental effect, both on Serbia's domestic politics and on the region as a whole.

Preferential treatment has had a horribly distorting effect on Serbian politics, allowing political elites to conclude that the EU wants Serbia more than Serbia wants the EU. This has translated into Serbian politicians blaming the EU for domestic political problems and attempts to find other options to EU membership, in the hope that Belgrade can play the EU against Russia in the same manner Tito played East against West during the Cold War. The result is that the EU is used as a positive political motif only during election campaigns. The prevailing mindset among many Serbian politicians is that if Belgrade waits long

² The EU did dual-hat the EUSR in Macedonia as head of the European Commission office. In this case the dual-hatting worked, as both offices reported to Brussels.

enough, the EU will eventually drop its standards and let Serbia move closer to the EU without further reforms.

In the broader region, preferential treatment for Serbia has angered many in Bosnia, Croatia, Macedonia and Montenegro, who ask why they should be held to a higher standard than Belgrade. This double standard brings into question the EU's impartiality and reliability. It also discourages other countries from making tough reform choices, as they assume that if they wait long enough, then eventually they too will benefit from lowered EU standards.

E. Expedite Planning and Construction of the Nabucco Pipeline

The EU's inability to create a comprehensive and forward-leaning common energy policy together with prospective members in the Western Balkans, has left a vacuum and weakened its prestige in the region. This vacuum has not remained empty: Moscow has stepped in to fill it, weakening EU prestige and leverage.

The recent gas cutoff clearly showed how vulnerable the region is, with many countries having less than two weeks of reserves and in the case of BiH -- where the pipeline shut down left hundreds of thousands without heat in minus 15 degree temperatures -- no reserves at all. Russian energy companies have privatized Bosnia's main oil refinery at Bosanski Brod and Serbia's state oil monopoly, and have also invested in Macedonia's energy sector and bid on energy projects in Montenegro. Moscow has dangled promises of the South Stream pipeline in front of many Balkan governments, while the EU's Nabucco pipeline project remains more of an idea. This further strengthens the impression of the EU as an unreliable partner, and has made some -- especially in Serbia -- think that perhaps there may be an alternative to full EU membership. Should the US enter into constructive partnership with the EU over Nabucco and build a branch into the Western Balkans, it would give the Euro-Atlantic alliance greater leverage, disrupting Russia's efforts to monopolize the refining and transport of petroleum and natural gas.

IV. Moving Forward

Stability in the Balkans can no longer be taken for granted. Bosnia is backsliding, Croatia and Macedonia are blocked in the EU accession process, Kosovo is stuck in limbo unable to begin it, and Serbia is exploring other options. The failure of the Lisbon Treaty means that Euroscepticism is on the increase and the EU itself is uncertain how eager it is to welcome new members. Disagreements within the EU have been magnified in the region, as EU member-state ambassadors send contradictory messages to Balkan politicians. Too often Brussels speaks with many voices, each with a different message. Leaving the region entirely to the European Union has proven itself a failed policy. The US must reengage, galvanize, and bolster European efforts.

Time is not on the international community's side. Without significant policy changes, the region will continue to stagnate, and, in the case of Bosnia, will likely slip back into a renewed conflict, for which the international community is unprepared. Too many countries have come to a standstill in the Stabilization and Association Process and will not be able to move forward without an enhanced approach. Much can be done with existing resources. These resources, however, must be marshaled, focused and energized, and in some cases might require augmentation. The Stabilization and Association Process must be strengthened and supported with other mechanisms. The international community must show renewed resolve and hold all countries to the same EU and NATO standards.

The US must return to being an active player in support of its European partners. Should it do so, it can secure its long-term investment and rack-up a success with the EU -- a partner it needs for so many policy priorities worldwide. Should Washington remain disengaged, it will share in a policy failure that will incur considerable costs in the region, with the EU, and in the wider world.